



No. PACE IR2018/018  
Date: 14 November 2018  
Subject: Explanation of the Operating Results for the third quarter of the year 2018 ended 30 September 2018 changing over 20%  
To: The President  
The Stock Exchange of Thailand

PACE Development Corporation Public Company Limited (“the Company”) would like to report the operating results for the third quarter of the year 2018 ended 30 September 2018 (“Q3 2018”). The details are as follows:

### **Executive Summary**

The operating results of the third quarter of the year 2018, for the three-month period ended 30 September 2018 (Q3 2018), the Company generated total revenues of 1,093 million Baht; or decreasing by 49% as compared to the total revenues in Q3 2017 of 2,132 million Baht. This was mainly due to the increase in revenue from sales of the residences “The Ritz-Carlton Residences, Bangkok” at MahaNakhon transferred in the Q3 2018 of 4 residences which was lower than the same period last year of 27 residences.

The Company’s gross profit from operation, was 305 million Baht (28% of total revenues from operation), decreasing by 49% as compared to the same period last year of 597 million Baht. The key reason was from the result of the cumulative transfer of 182 residences of the total 209 residences in the previous quarters thus making slower sales momentum for this quarter.

The Company had total selling and administrative expenses of 1,300 million Baht (119% of total revenues), significantly decreasing by 5% as compared to the same period last year of 1,371 million Baht.

In Q3 2018, the Company had finance cost of 179 million Baht, decreasing by 31% as compared to the same period last year of 260 million Baht. This was due to continuous effort in debt repayment in forms of Bill of Exchange, debentures and financial institution loans.

The Company had operating loss before financial costs and income tax of 971 million Baht (89% of total revenues). The operating loss increased by 38% as compared to the same period last year of a loss of 704 million Baht.

## Summary of Financial Performance

### **Analysis of the Operating Results**

#### **Revenues**

In Q3 2018, for the three-month period ended 30 September 2018, the Company generated total revenues of 1,093 million Baht; decreasing by 49% as compared to the same period last year of 2,132 million Baht. The details are as follows:

I Property Business: the Company will be able to record the revenue from sales of residential condominium units in the statement of comprehensive income when the real estate project has been completed and transferred to the customers.

#### **MahaNakhon Project:**

The Company sold 4 residences of the Ritz-Carlton Residences, Bangkok with the total amount of 521 million Baht, decreasing by 62% as compared to the same period last year of 1,360 million Baht from the transfer of 27 residences.

#### **MahaSamutr Project:**

The construction in progress of MahaSamutr Villas are 95% completed. In Q3 2018, there is no transfer of ownership of MahaSamutr Villa. The Company expects to be able to sell and transfer the remaining villas to its customers in 2019. Meanwhile, MahaSamutr Country Club and Sports Club are currently in the process of restructuring and expected to be completed and operated in 2019.

#### **Nimit Langsuan Project and Windshell Naradhiwas Project:**

Nimit Langsuan and Windshell Naradhiwas projects are in the process of construction as planned. Also, the Company received credit facilities from its financial institutions which are sufficient to complete the projects, and it expects to be able to transfer the ownership of all residences to its customers as well as recognize revenues in 2<sup>nd</sup> half of 2019.

### II Gourmet Food and Beverage Business

In Q3 2018, the total revenues of DEAN & DELUCA (D&D) were 547 million Baht; slightly decreased by 22 % as compared to the same period last year of 702 million Baht. This was from the result of the decreased revenue from sales of merchandises, gourmet food and beverages (D&D) in the United State. While, the revenues of D&D Asia (Thailand) were rising because of significant improvement of the same store sales as compared to the same period last year

### III Other Income

In Q3 2018, the other income was 24 million Baht, decreased by 65% as compared to the same period last year of 70 million Baht. This was due to decrease in interest income of 44 million Baht from the subsidiaries, PP1 and PP3

#### **Selling and administrative expenses**

In Q3 2018, the Company had total selling and administrative expenses of 1,300 million Baht (119% of total revenues), decreasing by 5% as compared to the same period last year of 1,371 million Baht. This comprised of: selling expense of 451 million Baht; decreased by 51% as compared to the same period last year of 924 million Baht, and administrative expenses of 427 million Baht; significantly decreased by 4% as compared to the same period last year of 447 million Baht. Accordingly, the Company recorded impairment loss in investment of 422 million Baht in which mainly results from the sale of the Bangkok Edition hotel

The selling expenses from sales of residential condominium units decreased. This was mainly due to most of the expenses were related to the transfer ownership of the residences of MahaNakhon project have been recorded in the previous quarters, for instance, costs of the transfer, special business tax, etc.

Furthermore, the selling and administrative expenses of gourmet food and beverages in Q3 2018 significantly decreased as compared to the same period last year due to the reduction in the number of employees at the executive level and the control of marketing expenses.

The Company had operating loss before financial costs and income tax of 971 million Baht (89% of total revenues), increasing loss by 38% as compared to the same period last year of a loss of 704 million Baht.

### **Finance Costs**

In Q3 2018, the Company had finance cost of 179 million Baht, decreasing by 31% as compared to the same period last year of 260 million Baht. The decrease in the finance costs was from a result of loan repayment regarding the capital increase in Q1 2018 and cash flow received from disposition of the assets in Q2 2018.

### **Profit and Loss Results**

In Q3 2018, the Company recorded net loss for the three-month period ended 30 September 2018 of 1,102 million Baht (100% of the total revenues), increased loss by 15% as compared to the same period last year of 961 million Baht. This was mainly from normal business operation costs, obligation in the finance cost and incur of impairment loss from investments of the sales of Bangkok Edition hotel.

### **Statement of Financial Position**

#### **Assets**

As at 30 September 2018, the Company had total assets of 21,693 million Baht; decreasing 33% as compared to the end of the year 2017 of 32,423 million Baht. This was mainly due to the transfer of residences totaling of 3,214 million Baht, and disposition of the hotel, Observation Deck, Retail Cube Building to King Power MahaNakhon Co., Ltd., as well as the purchase of preferred shares from investment partners in PP1 and PP3; investments in joint ventures decreased to 6,435 million Baht. The main assets consisted of: cash and cash equivalent of 1,206 million Baht, real estate development for sales of 9,133 million Baht, account receivable of 1,471 million Baht, building improvement, sales gallery, and equipment of 3,521 million Baht, Moreover, the goodwill incurred mainly from DEAN & DELUCA acquisition was 2,448 million Baht. Also, the intangible assets arising from DEAN & DELUCA's business; for example, trade mark, trade name, copyrights, etc. of the DEAN & DELUCA brand were 1,893 million Baht. The main assets were 91% of the total assets.

#### **Liabilities**

As at 30 September 2018, the Company had the total liabilities of 20,261 million Baht; decreasing by 33% as compared to the end of the year 2017 of 30,161 million Baht. The main liabilities included: short-term loans from financial institutions of 3,062 million Baht, current portion of long-term loans from financial institutions of 4,618 million Baht, the remaining amount of debenture is 1,812 million Baht, long-term loans from financial institutions – net of current portion of 2,407 million Baht, advances and deposits received from customers of 2,565 million Baht, and trade and other payables of 3,362 million Baht. The main liabilities were 88% of the total liabilities.

### **Shareholders' Equity**

As at 30 September 2018, the total shareholder's Equity of the Company were 1,432 million Baht; decreasing by 37% as compared to the end of the year 2017 of 2,262 million Baht. This was mainly due to the proceeds from the capital increase from the ordinary shares issuance to the private placement and the existing shareholders. While in Q2 2018,

the Company also disposed the hotel, Observation Deck, Retail Cube Building which caused the Company to record the impairment loss from investments in joint ventures and impacted on the decrease in shareholders' equity.

### Appropriateness of the Funding Structure

In Q3 2018, the Company had total debt to equity ratio of 14.1 times, increasing as compared to 2017 of 13.3 times. The interest-bearing debt to equity ratio was 9.2 times; increasing as compared to 2017 of 8.9 times

The Company's outlook after disposing of the Bangkok Edition Hotel, Observation Deck, Retail Cube Building:

### Property Business

Although the Company disposed some assets, it still have some property projects for sale and revenue recognition in the future of 17,025 million Baht. The property projects are currently under construction, expected to be completed, and able to recognize revenues as planned.

As of 30 September 2018, Details and progress of the Company's residential projects are as follows:

Project	Operated By	Project Value (MB)	Total Units	Sales Progress			Cumulative Transferred Value (MB)	Start of Transfer in Year
				No. of Sold Units	Million Baht	% (unit)		
MahaNakhon - The Ritz-Carlton Residences, Bangkok	Pace Project Two	14,500	209	207*	14,199	99	12,219	April 2016
MahaSamutr - Villa	Company	4,000	80	14	905	22	256	Q4 2017
Nimit Langsuan	Company	8,000	187	171	6,914	91	-	2019
Windshell Naradhiwas	YLP	3,000	36	10	792	28	-	2019

Remark: \* In 2018, there were 68 residences recognized revenue (94 residences in 2017, 24 residences in 2016). The remaining residences are expected to be transferred in 2018.

According to the value of the developing projects, it shows that the net value of the projects after deducting the value recognized of over than 1.7 Billion Baht. The Company is aiming to sell and develop the projects as planned in the next 1 – 2 year later. In addition, the Company is ready to consider developing potential projects with the use of appropriate fund regarding the Company's cash flow in order to reduce the risk in its liquidity management.

As of 30 September 2018, the Company has company-operated stores and licensed stores as follows:

Country	Company-operated Stores	Licensed Stores	Total
United States	6	-	6
United States (Hawaii)	-	2	2
Thailand	11	-	11

Japan	23 DDCJ (Café)	18 DDJ (Markets)	41
South Korea	-	2	2
Singapore	-	3	3
Kuwait	-	1	1
UAE	-	1	1
Philippines	-	3	3
Macao	-	1	1
Bahrain	-	1	1
Hong Kong	-	2	2
Malaysia	-	1	1
<b>Total</b>	<b>40</b>	<b>35</b>	<b>75</b>

In the future, the Company has a plan to focus on lower investment in projects and maximize brand value. For example, the Company will focus on franchising businesses to grow the brand both domestic and international. This attempt will emphasize countries where there is economic growth, the number of populations that can drive brand growth, and opportunity to make more profit such as China. Also, in order to maximize the brand value of DEAN & DELUCA (D&D), the Company is developing consumer products to sell in D&D stores and other distribution channels to help the Company generate more revenues.

Please be informed accordingly.

Yours Faithfully,

(Ms. Natha Kittiamsorn)

Chief Financial Officer

PACE Development Corporation Public Company Limited